

# The Analysis of Positive Organizational Culture Using Scoring Method: Case Study on State-Owned Enterprise in Indonesia

T.Roli Ilhamsyah Putra

Department of Management, Syiah Kuala University, Banda Aceh, 23111, Indonesia

## Abstract

The crucial issues that being one of the phenomena of State Owned Enterprises (SOE) is corruption. As for the corruption that most people do is an act against the law or abusing the authority which resulted in a loss of State. The study examines the positive organizational culture forms that exist in the body of SOEs in Indonesia. The method used is descriptive analysis. This study uses primary and secondary data with the analysis units are 30 SOEs. Primary data has been taken in 2013 until 2014. The result shows that the number of problems in the formation of a positive organizational culture happen in the state. The reward system is not in accordance with the duties and objectives of improving corporate performance, the lack of opportunities of freedom of speech, competitive climate that is not supported, yet loyal planting norms and ethics in order to prevent a shift in the perception of the norm, and not yet fully implemented the transparency and clarity of the information company. It concludes the SOEs do not yet have a positive organizational culture, because there is incompatibility of the reward system with the duties and objectives of improving corporate performance, the lack of freedom of speech in the company, there is no climate of competition, the incomplete implanted norms and ethics, and a lack of transparency and clarity of information companies.

**Keywords:** positive organizational culture

## 1. Introduction

State Owned Enterprises (SOE) plays a strategic role in the Indonesian economy. The movement of the business world increasingly stringent demands of government as the "owner" of SOEs moves on to make corrections and reforms in state enterprises. SOE reform effort is fitting not only the responsibility of the government in this case the Ministry of SOEs, but improvements must be made by each SOE in different patterns. The crucial issues that being one of phenomenon of BUMN is corruption. The Corruption Eradication Commission (KPK) as quoted by the Judicial Commission of Indonesia (2010), said that since 2004 up to February 10, 2010 had received 942 reports from the public about alleged corruption in SOEs. Of the total number of 900 reports have been processed by the Commission. After the study, there were 237 reports which indicate to acts of corruption. The offense of corruption is the most widely performed illegal acts or abuse of authority resulting in state losses.

Indonesia Corruption Watch (ICW) also had reported indications of corruption in a number of state-owned enterprises during 2004-2006, which is estimated to reach IDR 10.484 trillion, the findings were based on the amount of state losses of 57 cases of alleged corruption in the status of the investigation, both the prosecutor and the Corruption Eradication Commission (KPK), the data also concerns the number of corruption cases that were tried. Losses of IDR 10.484 trillion was indicated in the financial sector, the banking and insurance worth IDR 5.3 trillion, while the losses incurred in the energy and electricity sector ranks second, around IDR 3 trillion. ICW also mentioned irregularities mode that most people do is inflate (mark up) the procurement of goods and services, using the mode, the state money forfeited to IDR 4 trillion, the second mode uses manipulation IDR 2.87 trillion and the third is a bad loans IDR 2.2 trillion (Fahmi, Tempo.co, 2007).

In fact, according to the position duties and functions, SOEs that are partners of the Ministry of State Enterprises which has been running for a long time should have been able to achieve superior performance. State, which is the largest contingent, represented by the Ministry of State Enterprises as primary task in Presidential Decree No. 9 of 2005 on the status, tasks, functions, organizational structures and procedures of State Ministries of the Republic of Indonesia Article 106, is to assist the President in formulating policy and coordination in the field of coaching State-owned enterprises. While the function is 1). Formulation of policies in the field of state-owned enterprises, 2). Coordinating the implementation of policies in the field of state-owned enterprises, 3). Management of property / wealth of the country under his responsibility, 4). Supervision over the performance of its duties, 5) Submitting the evaluation report, suggestion and consideration in tasks and functions to the president. Related to this, of course, state-owned companies are also bound by an order of governmental bureaucracy. Hierarchy of authority in the form of the State as the owner can be a uniqueness to the state-owned company. Bureaucracy can be a unique base culture is embedded in SOEs, but certainly could be implanted positive culture. As stated Gibson, Donnelly, Ivancevich and Konopaske (2012) organizational culture is what is felt by employees and how perception creates a pattern of beliefs, values and expectations. The culture can be either positive or negative. Organizations that have a positive culture, can support increased productivity while having a negative organizational culture can interfere the behavior, disrupt and undermine the effectiveness of a good organization team design. The positive values should be embedded in the process of implementation of the

work that reflects the character of the workplace or company in order to achieve a common goal. You and Khagram (2005) found a significant effect of income disparity with corruption. Other evidence was also carried out and found that the differences in income affect the perceived level of corruption and customs norms do with corruption. Thus, the lack of recognition (reward) for employees can be the cause of these things so positively affect the strength of employees associated with perceptions and norms, which led to the existence of the parties to work together in achieving specific goals such as Mark Up and manipulation. The action eventually led to the vitality and growth of the company to be not maximum.

Thus, the problem in this research is how a positive organizational culture in the state.

## **2. Positive Organizational Culture**

You and Khagram (2005) found a significant effect of income disparity with corruption. Other evidence was also carried out and found that the differences in income affect the perceived level of corruption and customs norms do with corruption. Thus, it can be formulated that the phenomenon of corruption in SOEs body caused by differences in income affect the perceptions and norms.

Thus, the researcher adjusted for cause and effect of the above with the theory of positive organizational culture in that perception and the existing norms measured by how the construction of the power of people like the presence or absence of insight into ethical, presence of embedded norms, whether there is mutual support, how competitive climate in internal company, the clarity of the company and how freedom of speech that occur within the company; perception of income differences measured by how the prioritization of award (reward) than the sanctions within the company; and of course how the company's focus on the strength and growth in the presence of co-ordination, communication, freedom of speech, the limitation of authority, transparency, adequacy rules and regulations as well as the adequacy of supervision.

The above items as positive organizational culture measurement dimensions by reference to the concept of Robbins and Judge (2013), the three things that make up a positive organizational culture:

1. Building on strengths of employees
2. Prioritization of awards rather than sanctions
3. Focus on the strength and growth

The dimension is the element of the formation of a positive organizational culture. Another concept mentioned before apart from the concept of Robbins and Judge, is not being fully utilized researchers because there are similarities elements of the elements proposed Robbins and Judge, like rewards, control and other elements, so the concept of Robbins and Judge supports criteria answers to address the phenomenon existing.

Thus, this study tries to answer the question of how the positive culture in the organization of SOEs working is, and the answer will be presented descriptively according to the survey.

## **3. Method**

The analysis used in this study is descriptive analysis whose population reached 140 units of SOEs. Thus, the SOE research unit of analysis and observation unit is the staffs in the SOEs where they work with certain criteria which would represent the unit of SOEs. Population of 140 enterprises, and further sampling with simple random sampling of 30 state-owned enterprises (21.43% of populiasi) in 2013 until 2014.

Top management-level respondents are certain criteria in any company of the sample. The values obtained from respondents will be taken in charge mode value (the value of which frequently appear) for each company so that each company has a value that can represent the company's answer. Respondents are the top management level with criteria are:

1. 2 Directors (any field), or appointed to represent
2. 3 Manager (any field) or appointed to represent

The respondents criteria chosen for several reasons, namely:

1. The organizational culture is perceived values each employee, so that the respondents should be general.
2. The indicators used regarding the level of values that are used by decision makers, so the middle to lower level employees are not categorized in the observation unit.
3. The amount of the proportion of 2 Directors and Managers 3 are set for:
  - a. The number of respondents must be odd due to avoid the equilibrium value at the time of generating mode value that represents the state owned company they from.
  - b. Because director fewer proportion of managers
  - c. Director and managers is also an employee
  - d. Because the phenomenon of organizational culture that are discussed in this study is the abuse of authority that allegedly occur at the upper management level, the researchers took the respondents not only from the top level (the director), but also the middle-level managers to prevent subjective judgments.

Descriptive statistics is used to answer the hypothesis, in other words that assess the extent of implementation of the variables studied. Testing based on the frequency distribution of the interval score. Total

score interval depends on the number of questionnaires from each of the variables in the test. The formula for the interval score is:

$(\text{Highest score} \times n \times q) - (\text{lowest score} \times n \times q) / 5$ . Score survey of 1,2,3,4,5 highest number is 5 and the lowest is 1, where  $n$  = number of samples and questionnaires  $q$  = number of variables.

#### 4. Result

Two dimensions of organizational culture variables in fact been carried out with a positive approach (scale > 4), the dimensions build employee strength and dimensional emphasis on vitality and growth. As for dimensions greater rewards than sanctions still lacking positive approach (scale < 4). This illustrates that there are still shortcomings in the establishment of organizational culture SOE. The discussion will be conducted starting from the dimensions of the high average value and subsequently on the dimensions with a low average value.

Dimensions build employee strength has a value of 4.18 which indicates the company's efforts to build good employee strength is enough. This is supported by the planting norm ( $X1.1.6 = 4.23$ ) by the company to its employees so as to increase knowledge of ethical employees for work in SOEs ( $X1.1.7 = 4.10$ ). It is seen that the planting norm in state-owned companies in proportion to the increasing ethical insight. But the norm is embedded seen yet has not reached the maximum described ideal value is scaled 5. Norms and ethics are very important to remember the focus of fraud due to the weakness of planting norms and ethics toward its employees. Thus, it can be said SOEs still have problems in a rudimentary norms to invest in their employees.

Table 1. Respondent Perception

Organization Culture							
Instrument		1	2	3	4	5	Average Score
<b>X11</b>	<b>Building on strengths of employees = 4,18</b>						
X111	Freedom of speech	0	0	5	21	4	3.97 119
X112	Climate office competition	0	0	11	18	1	3.67 110
X113	Mutual support with parallel employee	1	1	1	16	11	4.17 125
X114	Mutual support with the boss	0	0	0	10	20	4.67 140
X115	Mutual support with subordinates	0	0	0	9	21	4.70 141
X116	Inculcate norms and ethics in activities	0	0	1	21	8	4.23 127
X117	Increased ethical insights for company	0	0	2	23	5	4.10 123
X118	clarity companies	0	0	3	25	2	3.97 119
<b>X12</b>	<b>Prioritization of awards rather than sanctions = 3,91</b>						
X121	internal sanctions	0	0	0	24	6	4.20 126
X122	Conformity reward system with the goal of improving corporate performance	0	2	4	22	2	3.80 114
X123	Conformity reward system with mandates	0	3	4	21	2	3.73 112
<b>X13</b>	<b>Focus on the strength and growth = 4,15</b>						
X131	Coordination of field units	0	0	0	18	12	4.40 132
X132	Clarity of communication	0	0	0	21	9	4.30 129
X133	Rules and regulations	0	0	0	25	5	4.17 125
X134	Supervision	0	0	2	24	4	4.07 122
X135	limitation of authority	0	0	1	27	2	4.03 121
X136	Transparency	0	0	6	20	4	3.93 118
<b>Total</b>							<b>2103</b>

SOEs also have built a culture of mutual support to build parallel with employees ( $X1.1.3 = 4.17$ ), tops ( $X1.1.4 = 4.6$ ) and subordinate ( $X1.1.5 = 4.7$ ), which means that culture that has fostered mutual support to all levels of staffs. The culture of mutual support would be the positive support that form organizational culture of SOEs. It reflects teamwork skilled in the execution of work in the state. Although, there are companies in which the alignment between employees who are not complementary (choose scale 2), namely Industrial IGLAS and PT. WTC Borobudur which means that their employees are closed to support each other.

On the other hand there is also the condition in which employees do not know the whole thing clearly about the information in their company ( $X1.1.8 = 3.97$ ). Employees have not been fully informed clearly about the activities of the company. This can be the cause of the limits of confidentiality in a person in doing his job. The confidentiality is the cause of the fraud, in which these opportunities can be created from obscure information.

Have yet to fully argue ( $X1.1.1 = 3.97$ ) illustrates the persistence of SOE using the "feudal seat", where the boss is very dominant in the opinion. This illustrates that new ideas may not necessarily be born because of the limitations found. This is in line with the competitive climate ( $X1.1.2 = 3.67$ ) is still high, which means that

they only focus on their respective fields of work. Envisaged that such competition solely to certain parties only, which according to information of the Minister of State Enterprises (2012) which stated that the establishment of corporate culture that is healthy is often disrupted, especially the culture of each drill positions in a fraudulent manner: using a backing, both from within and from the outside.

For dimensional emphasis on vitality and growth has also been well run with an average value of 4.15. This dimension is evident from the clarity of the good communication too ( $X1.3.2 = 4.30$ ) that were influential in coordination between the field units of the good ( $X1.3.1 = 4.40$ ).

The limitation of authority is still represented by the strict ( $X1.3.5 = 4.03$ ) indicated by the adequacy of existing rules and regulations ( $X1.3.3 = 4.17$ ) and the adequacy of supervision ( $X1.3.4 = 4.07$ ) in the control of the main tasks and functions of the employees. However it can be described that the three functions of these indicators have not reached the ideal level where the limitation of authority should be implemented very strict as well as the rules and regulations and supervision are very pretty. That three positions which are not ideal are the cause of their flexibility of authority and the weakness of the rules and regulations on SOEs.

The condition is comparable with the unimplemented of transparency within the company ( $X1.3.6 = 3.93$ ). It can be drawn from the closing of the information clarity of the company. In fact, transparency is a very important subject matter in view of the size of a large SOEs is comparable to the length of the chain of bureaucracy could potentially produce the fraudulent opportunities. Transparency is related to the function of financial and non-financial existent. Ali and Lino (2013) in his book "Antara Pasar dan Politik: BUMN dibawah Dahlan Iskan" explained that the political and economic context, the concept of the embedded economy provide opportunities to treat SOEs under the auspices of the Ministry of SOEs is not merely actors "market pure", but also a political tool. In the sense that although the form of a corporation, the state also acts perform tasks "non-economic" in order to achieve the goal of "ideal" formulated state. The task of the non-economic nature has the potential to shift the economic tasks. Ali and Lino (2013) also cite of running text Metro (2012) where the Minister of SOEs encourage SOEs to avoid projects that are funded by the State Budget (APBN) by reason of the practice is prone to bribery. This illustrates the crucial problems of transparency in preventing fraud.

Dimension that has the lowest average score (3.91) that the award more than the sanctions still have not touched the expected values. This is because, although the internal sanctions ( $X1.2.1 = 4.20$ ) is still in the tight bond risk, but correspondence between payment systems with the aim of improving corporate performance ( $X1.2.2 = 3.8$ ) and the reward system to the task in waistband ( $X1.2.3 = 3.7$ ) states is still not appropriate, which means that the reward system is still in a low level compared with the existing sanctions. Bank Mandiri and Bank BTN states that the reward system either towards the goal of increasing the company's performance and to task the waistband is not appropriate (scale 2), while PT. Clothing industry Nusantara (INSAN) states the reward system of the duties they do not fit (scale 2), while the remuneration system with the goal of increasing the company's performance is also still on a mediocre level (scale 3). Thus, the overall measurement of organizational culture variables can conclude that there is one issue of organizational culture that is the element of the sanctions is greater in value than the value of remuneration system. Thus, a mismatch in employee reward system becomes factors that influence the formation of a positive organizational culture in the SOEs.

Problems can be summed as positive organizational culture formation in SOEs affected by a series of factors that are still problematic at this time SOE. Not to incompatibility between the existing remuneration system resulted in corruption. You and Khagram (2006) found that the difference in income significantly influence the occurrence of corruption. Getz and Volkema (2001) also found that Power Distance which is a form of power, prosperity and opportunities that are not distributed equally in an institution, a significant positive impact on corruption, which is the economic conditions as a moderation. In addition, the Power Distance are meaningful differences in these opportunities due to the lack of freedom of speech in the SOEs. The opportunities are closed to certain employees in order to free-speech resulted in retention of ideas, desires and needs of employees so the impact on the occurrence of movements disguised employees who want to vent their dissatisfaction to achieve its goals. Opportunities are also closed on SOE employees who want to compete so that the competitive environment is still not high. This can be caused by certain parties that create opportunities only in certain people who have the backing only. The closing of the competitive opportunities resulted in certain people prefer to look for other opportunities to get his wish.

Problems in the incongruity of the reward system, the lack of freedom of the opinion, and not high competitive climate could lead to a shift in perceptions and norms. Evident from the state that have not been up inculcate norms and ethics toward its employees. Gets and Volkema (2001) quotes from Tanzi (1994) argues that: ... right presence in a culture are social norms that direct individuals to not emphasize on avoiding corruption. As well as statements and Volkema Getz (2001) quotes from Leff (1979) suggested in the case of several companies competing for government permits, corruption becomes auction mechanism whereby the most efficient companies can afford to pay the highest bribes fee and will get an operating license. This is a view of the norms that do not emphasize on avoiding corruption, where what happens is the perception of the norm has shifted. Bribery is precisely referred to as a potential advantage.

In addition, the SOE has not achieving transparency in their activities, resulting in an opportunity to engage in corruption. This can be an issue of concern, due to the lack of transparency may occur as the cause of corruption, or an opportunity seeker scenario in creating opportunities for corruption. This is in line with the company that still have a lack of information clarity caused by the distribution of information is obscured or keep certain secrets so the chances of fraud or corruption can be created.

Thus, we can conclude a series of appropriate reward system that has not been kind to the duties and to the performance improvement goals, and to repress the freedom of employees to argue that climate led to low competition and impact on shifting perceptions and norms. Perception of opportunity seeking "new" performed with emphasis on the reduction system to minimize the norm of clarity and transparency of information.

A number of things have an effect on the creation of a positive culture in the company. This can be evidenced from the calculation of scores to prove the hypothesis that SOE has a positive organizational culture.

Table 2. Result of Interval Range Hypothesis

Variable	Score	Result of Interval Range & Total Score	Interval Range	Ordinal
Organization Culture	Highest:		510 – 918	Negative
	$5 \times 30 \times 17 = 2550$	Interval Range	919 – 1326	Close to Negative
	Lowest:	$(2550-510)/5 = 408$	1327 – 1734	Balance
	$1 \times 30 \times 17 = 510$	Total Score (in table 1) = 2103	1735 – 2142	Close to Positive
			2143 – 2550	Positive

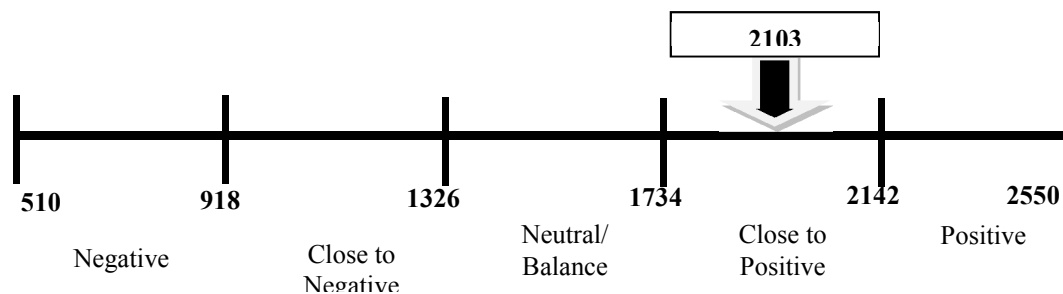


Figure 1. Range of Interval

Of all the indicators of organizational culture described, by comparing the interval score, organizational culture which had a total score of 2103 is included in the range of 1735-2142, so the hypothesis SOE has an organizational culture that is positive yet completely accepted (ideal score are in the range of 2143 to 2550). This is evidenced from the phenomena / problems that occur in some SOEs, which make the score still low which SOEs have not achieved a positive culture. Some companies who have not yet reached the positive culture affects the value of a score of companies that have reached a positive culture, so overall, the value of the score becomes lower than the company's overall achievement of the ideal. Thus, the hypothesis that SOE has a positive organizational culture is rejected, which means the formation of a positive organizational culture in the state is still not perfect.

## 5. Conclusion

It can be concluded that the state-owned companies do not yet have an organizational culture that is positive, because there is incompatibility of the reward system with the duties and objectives of improving corporate performance, the lack of freedom of speech in the company, there is no climate of competition, the incomplete implanted norms and ethics, and a lack of transparency and clarity of information companies.

The solution in the formation of a positive organizational culture in the state is the company is reviewing the remuneration system to match the mandates and objectives of improving corporate performance. Opening up the freedom of opinion is also needed on the forum company, so that employees are free to express wants, needs, ideas, and ideas in order to minimize the Power Distance. The creation of healthy competition is very necessary, so that the system is integrated with compensation (reward) to stimulate job performance. Competitive climate created by the same should open up opportunities for anyone to achieve. Planting ethical conduct should be viable by the company in order to prevent a shift in the perception of the norm. And not least the importance of transparency and clarity of the information the company either for economic affairs and non-economic to do entirely so that it becomes a tool to prevent fraud or corruption.



Table 3. Action Plan

Objective	Advice	Person in charge	Execution time	Resource
Adjust reward	Re-evaluate the existing reward system and add some reward activities deemed necessary	Minister of SOEs and the Director	Long term	HR (Human Resource) and Finance
The formation of the opportunities of freedom of speech	Create a forum with all the employees in a given period (monthly)	HR Director	Long term	HR
The creation of healthy competition	Re-evaluate the management careers within the company. Link it with reward system based on justice, so each employee has the same opportunities in the career management	HR Director	Long term	HR and Finance
Increased the plantings of the norms and ethics	Conduct the norms and ethical training on a regular basis (at certain period)	HR Director	Long term	HR and Finance
Increased transparency and clarity of the information companies	Maximize the use of information and communication technology to make superior reporting system	HR Director	Long term	HR and Information Technology

To ensure the achievement of the expected results of the program have been implemented solutions must be evaluated against environmental changes and controlled in terms of money, time, and performance in line with the action plan that has been set.

## References

- Komisi Yudisial Republik Indonesia. Melalui <[http://www.komisiyudisial.go.id/index.php?option=com\\_content&view=article&id=3239:polemic-bumn-korupsi&catid=8:Berita%20Terakhir&Itemid=86](http://www.komisiyudisial.go.id/index.php?option=com_content&view=article&id=3239:polemic-bumn-korupsi&catid=8:Berita%20Terakhir&Itemid=86)>[18/03/10]
- Indonesia Corruption Watch (ICW), Reports of 2004-2006
- Presidential Decree (2005), "Perpres No 9 Tahun 2005 tentang Kedudukan, Tugas, Fungsi, Susunan Organisasi dan Tata Kerja Kementerian Negara Republik Indonesia Pasal 106, adalah membantu Presiden dalam merumuskan kebijakan dan koordinasi di bidang pembinaan Badan Usaha Milik Negara".
- Robbins, Stephen P. & Timothy A. Judge (2013). "Organizational behavior", Pearson Education Limited, England
- Ali, Fachry & R.J.Lino. 2013. "Antara Pasar dan Politik : BUMN di Bawah Dahlan Iskan", PT Gramedia : Jakarta.
- Getz, Kathleen A. & Roger J. Volkema. (2001). "Culture, Perceived Corruption, and Economics : A Model of Predictors and Outcomes". *Business Society* : 40, 1 : ProQuest Sociology. Pg. 7
- Tanzi, V. 1994. "Corruption, Governmental activities, and markets (IMF Working paper #94/99)". Washington DC.: International Monetary Fund.
- Gibson, James L. James H. Donnelly Jr. John M. Ivancevich. & Robert Konopaske. (2012). "Organizations : Behavior, Structure, Processes". Fourteenth Edition. International Edition New York. McGraw-Hill.
- Leff, N. (1979). "Economic Development Through Bureaucratic Corruption" In M. Ekpo (Ed.), *Bureaucratic Corruption in Sub-Saharan Africa : Causes, Consequence, and Controls* (pp.325-354). Washington, DC: *University Press of America*.
- You, Jong-Sung & Sanjeev Khagram. 2005. A Comparative Study of Inequality and Corruption. *American Sociological Review*, 2005. Vol 70 (136-157)